

THE INFLUENCE OF PRODUCT BUNDLING OF IPHONE AND TELKOMSEL ON CONSUMER SATISFACTION IN MANADO

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ABSTRACT

Companies are vying to sell their products with the cheapest price, because they want to increase the number of sales. Marketing strategy that involves offering several product and services for sale as one combined product we called product bundling. This research is conduct in Manado. The objectives of this research are to analyze the influence of Product Bundling on Consumer Satisfaction with case study iPhone and Telkomsel, partially and simultaneously. This research is a causal type of research where it will investigate the influence of product bundling on consumer satisfaction. Using a multiple regression model to answer the research problem. The population in this study is a consumers of iPhone bundling Telkomsel in Manado, whereas samples taken by each respondent 100 respondents. The hypothesis testing, this research conduct a conclusion of there is a significant influence of Product Assortment and Choice simultaneously and partially on Consumer Satisfaction. This study reveals that choice is a mental decision that made by the consumer has a strong influence factor in order to buy a product, when consumer go for purchasing, they prefer to purchase a product with a well know branded, good service and collaborating of product bundling.

Keywords: *consumer satisfaction, product assortment, product bundling.*

INTRODUCTION

Research Background

The use of current technology greatly affects the rate of growth and development of the world economy, or can be called by the driver of the world economy today, and caused triggering competition among companies. Technology is not only present as a reformer in globalization but also has pushed the progress of civilization, the efficient use of factors of production, productivity, and of course positively correlated with the level of well-being. Countries that have utilization and intensity of high technology can produce economic output better than countries that have not integrated technology.

Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services. The goal of the marketing is to increasing the number of sales that can generate income by offering needs satisfactory to the consumer; therefore it is necessary for marketing strategy as possible in order to achieve the highest profit.

Mobile Phone is an electronic telecommunications device with the same basic capability with up to conventional fixed line telephone, but can be brought everywhere and does not need to be connected to the telephone network using a cable. Smartphone is a cellular telephone with built-in applications and Internet access. In addition to digital voice service, modern smartphone provide text messaging, e-mail, web browsing, video camera, MP3 player, video playback and calling. In addition to their built-in functions, smartphone run myriad free and paid applications, turning the once single-minded cellphone into a mobile personal computer.

The development of the smartphone has increased significant, and also the production of the Smartphone. This competition makes the innovation in the marketing strategy. One common marketing strategy is to combine and sell two or more products in a package, so called bundling. This strategy is employed by companies in different industries and on different kinds of markets: on industrial as well as consumer markets, by manufacturers, wholesalers, and retailers, and of sellers of both goods and services. As consumers, we meet bundles almost every time we visit stores and, hence, as an empirical phenomenon, bundling widely familiar. So the company is not longer selling their product in the form of single product, but they put together a package with other products which is usually a product that complements its kind.

This strategy is the most strategy that demands with the companies, because Product Bundling usually had a cheaper price rather than buy a one single product. The cheapest price is demands by consumer thus create purchasing power of consumers in product choice. Consumers who enjoy these products may cause a sense of satisfaction. Expectancy for a company is to have satisfied consumers to their products. For the company that has a satisfy consumer is a one of their goals, but How big is the ability of a product bundling strategy can create satisfied consumers, depending on how the company can integrate with both products to be combined. Bundling strategy in a company's product sales are expected to create satisfied consumers to its products.

Research Objectives

The objectives of this research are to analyze the influence of:

1. Product assortment and choice on consumer satisfaction of Bundling iPhone and Telkomsel in Manado.
2. Product assortment on consumer satisfaction of Bundling iPhone and Telkomsel in Manado.
3. Choice on consumer satisfaction of Bundling iPhone and Telkomsel in Manado.

THEORETICAL REVIEW

Theories

Marketing

Kotler and Armstrong (2008:4) define marketing is managing profitable customer relationship. Furthermore, marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. Kotler and Keller (2009:5). American Marketing Association marketing is an organizational function and set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. By looking at the definition above and the title of this research, researcher found correlation each other. Which is in the word "individuals and groups". Brand name is the output of individuals and groups considerations to make a decision.

Consumer Satisfaction

Consumer satisfaction is a post-purchase evaluation of a service offering. A traditional definition of consumer satisfaction followed the disconfirmation paradigm of consumer satisfaction/dissatisfaction, suggesting that satisfaction/dissatisfaction is the result of interaction between the consumer's pre-purchase expectations and post purchase evaluation. (Abdallat and Emam)

Product Assortment

Product assortment is the set of all products and items a particular seller offers for sale. (Kotler and Keller, 2009:488). There are four dimensions on product assortment, such as:

1. The width of a product mix refers to how many different product lines the company carries.
2. The length of a product mix refers to the total number of items in the mix.
3. The depth of a product mix refers to how many variants are offered of each product in the line.
4. The consistency of the product mix refers to how closely relate the various product lines are in end use, production requirements, distribution channels, or some other way.

Non Compensatory Models of Consumer Choice

The expectancy-value model is a compensatory model; in that perceived good things for a product can help to overcome perceived bad (Kotler and Keller, 2009:212). We highlight three such choice heuristics here:

1. With the conjunctive heuristic, the consumer set a minimum acceptable cutoff level of each attribute and chooses the first alternative that meets the minimum standard for all attributes.
2. With the lexicographic heuristic, the consumer chooses the best brand on the basis of its perceived most important attribute.
3. With the elimination-by-aspects heuristic, the consumer compares brands on an attribute selected probabilistically, where the probability of choosing the attribute is positively related to its importance – and eliminates brand that do not meet minimum acceptable cut off.

Product Bundling

Product bundling is a marketing strategy that involves offering several product or services for sale as one combined product (Garcia 2008). there are 2 type of bundling, Pure Bundling occurs when a firms offers its product only as a bundle and Mixed bundling the seller offers goods both individually and in bundles (Kotler and Keller, 2009:376).

Previous Researchers

Pedersen and Nysveen (2009), The Effects of Variety and Bundling on Choice and Satisfaction: Applications to New Telecommunication and Media Services. Chernev and Hamilton (2009), Assortment Size and Option Attractiveness in Consumer Choice Among Retailers. Crawford and Cullen (2007), Bundling, Product Choice, and Efficiency: Should Cable Television Networks be offered a La Carte.

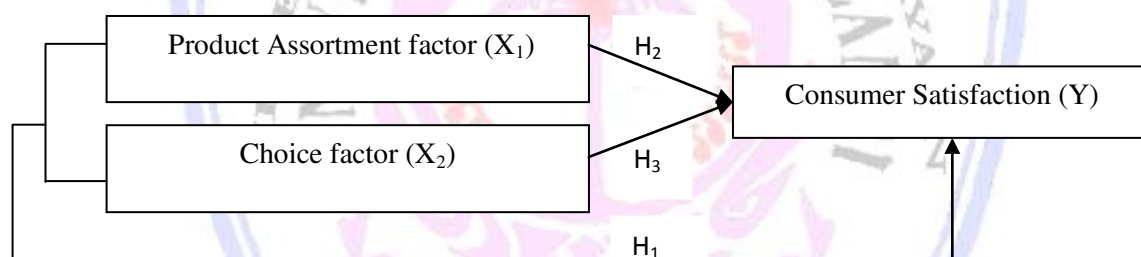


Figure 1. Conceptual Framework

Source: Processed data 2014

Hypothesis

The hypotheses of this research are:

- H₁: Product assortment and choice have suspected significant influence on consumer satisfaction of bundling iPhone and Telkomsel simultaneously.
- H₂: Assortment influences consumer satisfaction of bundling iPhone and Telkomsel partially.
- H₃: Choice influences consumer satisfaction of bundling iPhone and Telkomsel partially.

RESEARCH METHOD

Type of Research

This research is a causal type of research where it will investigate the influence of product bundling on consumer satisfaction.

Place and Time of Research

This study was conducted in Manado City. The questionnaire was distributed directly at some places where respondents from regions in Manado being at, such as campus, hangout sites, and restaurants. The research was conducted on June to July 2014.

Population and Sample

Population is the entire group or people, events, or things that the researcher desires to investigate (Sekaran and Bougie, 2010:443). The population in this research is for all Telkomsel Bundling iPhone users in Manado. The sample of this research is the Telkomsel bundling iPhone users as much as 100 respondents. The sampling design is sample random sampling that is considered as the best way of getting some basic information quickly and efficient. Sample random sampling is using every element in the population has a known and equal chance of being selected as a subject. This sampling design has the least bias and offers the most generalizability (Sekaran and Bougie, 2010:270).

Data Collection Method

They are two types of data: (1) Primary Data use questionnaires were distributed to customers of iPhone and Telkomsel Bundling, respectively 100 sheets. While calculating weight rating customer questionnaires using Likert scale. Likert scale was associated with a statement about one's attitude towards something. And (2) secondary data is method of data collection by studying the relevant literature in order to obtain a theoretical overview from books, journals, and relevant literature from library and internet of the concept of Influence of Product Bundling on Consumer Satisfaction.

Operational Definitions and Measurement of Research Variable.

Operational definitions of research variables are:

1. Product assortment (X1) is the set of all products and items a particular seller offers for sale. According to (Kotler and Keller 2009:368).
2. Choice(X2) is a mental decision who made by the consumer.(Fotheringham)
3. Consumer Satisfaction (Y) Consumer satisfaction is a state of mind in which the consumer's needs, wants, and expectations throughout the product of service life haven been met or exceeded, resulting in future repurchase and loyalty.(Abdallat and Emam)

Data Analysis Method

Validity and Reliability Test

The reliability of a measure is established by testing for both consistency and stability. Consistency indicate how well the items measuring a concept hang together as a set, Gronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran and Bougie, 2010:162). Since reliable scale are not necessarily valid researchers also need to be concerned about validity. It assesses whether scale measure what is supposed to be measured. Thus validity is a measure of accuracy in measurement (Hair et al, 2010:120).

Multiple Regressions on Analysis Method

Linear regression is used to model the value of a dependent scale variable based on its linear relationship to one or more predictors. The method of analysis used in this study is multiple regression models approach the return. Cooper and Schindler (2001:767) stated that multiple regression analysis is techniques to observed value more than one X to estimate or predict corresponding Y value. The formula of multiple linear regressions is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

- Y = Consumer Satisfaction
- X₁ = Product Assortment
- X₂ = Choice
- α = Constant
- b₁, b₂ = The regression coefficient of each variable
- e = Standard error

RESULTS AND DISCUSSION

Result

Validity and Reliability

The validity test of Product Assortment (X_1) 0.903 and Choice (X_2) 0.880 also Consumer Satisfaction (Y) 0.805 are above 0.3 which mean that all indicator are valid. The reliability test using Alpha Cronbach. The Cronbach's Alpha parameter, with ideal score more than 0.6. The variable are reliable because the value of Cronbach's Alpha is bigger than 0.6.

Test of Classical Assumption

Multicollinearity

Table 1. Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	X_1	.855	1.170
	X_2	.855	1.170

a Dependent Variable: Y (Customer Satisfaction)
Source: Processed Data, 2014

The calculation multicollinearity through VIF and tolerance. VIF value of Product Assortment (X_1) is 1.170 and Choice (X_2) is 1.170 are <10 , this means that there is no connection between the independent variables.

Heteroscedasticity

Heteroscedasticity occurs if there are dots which form a certain pattern regularly as waves. Homoscedasticity occurs if there are no certain patterns which are clear, and the dots spread above and below the 0 the Y -axis

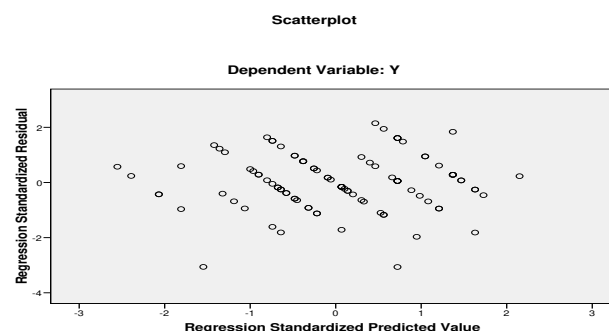


Figure 2. Heteroscedasticity Results

Source : Processed data 2014

Figure 2 shows that the patterns of the dots are spreading and the dots are spreading above and below the zero point of Y -axis. So, there is no heteroscedasticity in this regression.

Normality

Normality test can be identifying by using graph of P-P Plot. The data will distribute normally if the value of P-P Plot is near diagonal line of the graph.

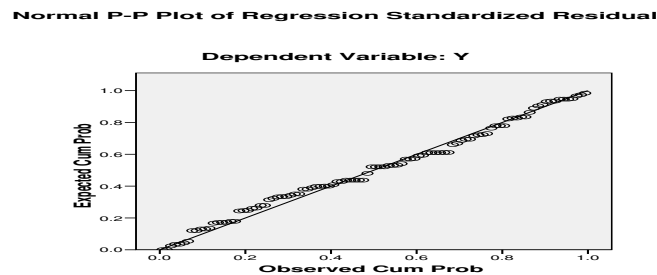


Figure 3. Normality Results

Source: Processed data 2014

Figure 3 shows the dots spread near the diagonal line and follow the direction of the diagonal line. Therefore, the data is distributed normally.

Multiple Regression Analysis

Table 2. Multiple Regression Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.135	.190		-.714	.477
	X ₁	.428	.047	.436	9.167	.000
	X ₂	.688	.051	.641	13.475	.000

Source: Processed Data, 2014

From the analysis, obtained by linear regression equation as follows:

$$Y = 0.135 + 0.428 X_1 + 0.688 X_2 + e$$

From the multiple linear regression equation above, it can inform the interpretation as follows:

1. Constant 0.135 shows the influence of Product Assortment (X₁), Choice (X₂) and Consumer Satisfaction (Y). It means that, in a condition where all independent variables are constant (zero), Consumer Satisfaction (Y) as dependent variable is predicted to be 0.135.
2. X₁ (Product Assortment) has an effect to Y (Consumer Satisfaction) as many as 0.428. In condition where other variables are constant, if there is one unit increasing in X₁ (Product Assortment), Y (Consumer Satisfaction) is predicted to be increased by 0.428.
3. X₂ (Choice) has an effect to Y (Consumer Satisfaction) as many as 0.688. In condition where other variables are constant, if there is one unit increasing in X₂ (Choice), Y (Consumer Satisfaction) is predicted to be increased by 0.688.

Coefficient Determination (r²)

Table 3. Table R and R²

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.901(a)	.813	.809	.32074

a Predictors: (Constant), X₂, X₁

b Dependent Variable: Y

Source: Processed Data, 2014

To determine the contribution The Influence of Product Assortment (X_1) and Choice (X_2) on Consumer Satisfaction (Y) of iPhone and Telkomsel users in Manado can be seen that the determinant of the coefficient (R^2) in the table above. R^2 value of 0.813 in this study may imply that the contribution of The Influence of Product Assortment (X_1) and Choice (X_2) on Consumer Satisfaction (Y) of iPhone and Telkomsel users in Manado of 81.3% while the remaining 18.7% is affected by other variables not examined in this study.

Hypothesis Testing

Table 2 F-Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	43.269	2	21.634	210.306	.000(a)
	Residual	9.979	97	.103		
	Total	53.248	99			

a Predictors: (Constant), X2, X1

b Dependent Variable: Y

Source: Processed Data, 2014

Value of 210.306 of F_{Count} significant 0.000. Because the sig < 0.05 means the confidence of this prediction is above 95% and the probability of this prediction error is below 5% which is 0.000. Therefore H_0 is rejected and accepting H_a . Thus, the formulation of the hypothesis that Product Assortment (X_1) and Choice (X_2) on Consumer Satisfaction (Y) of iPhone and Telkomsel users in Manado Simultaneously, accepted.

Table 3. t-Test

Model	T	Sig.
Product Assortment	9.167	.000
Choice	13.475	.000

a Dependent Variable: Y

Source: Processed Data, 2014

The calculations in the table above, the interpretation as follows:

1. T_{count} for Product Assortment (X_1) 9.167 greater than the value of 1.984 t_{table} means Product Assortment (X_1) in partial influence on Customer Satisfaction (Y) of iPhone and Telkomsel users in Manado. The sig. value at 0.000 means that prediction of Product Assortment (X_1) influence Customer Satisfaction (Y) of iPhone and Telkomsel users in Manado doing errors is 0.0%, thus the confidence of this prediction is above 95%. Therefore, H_a received.
2. T_{count} for Choice (X_2) 13.475 greater than the value of 1.984 t_{table} means Choice variable (X_2) in partial influence on Customer Satisfaction (Y) of iPhone and Telkomsel users in Manado. The sig. value at 0.000 means that prediction of Choice influence on Customer Satisfaction (Y) of iPhone and Telkomsel users in Manado City doing errors is 0.0%, thus the confidence of this prediction is above 95%. Therefore, H_a received.

Discussion

Product assortment and choice influence consumer satisfaction simultaneously and significantly. It shows that the consumer satisfaction of product bundling iPhone and Telkomsel in Manado is influenced by product assortment and choice simultaneously and significantly. This result support the research studied from Pedersen and Nysveen (2009) that examines the effects of variety and bundling on choice and satisfaction: Applications to new telecommunication and media services. He found that Product Assortment on experience with the chosen option have a significant influence on satisfaction as post-choice effects.

T-test shows that product assortment influences consumer satisfaction partially, and significance by use multiple regression analysis. It means that product assortment influences consumer satisfaction partially and significantly. Partially, product assortment is important to give influences to the consumer satisfaction. From two independent variables, product assortment gives the least influence to the consumer satisfaction. The survey showed that the respondents would still be influenced by the services and extra bonuses from other brands. T-test shows that choice influences consumer satisfaction partially and significance by use multiple regression analysis. It means that choice influences consumer satisfaction partially and significantly. Partially, choice is important to give influences to the consumer satisfaction.

The survey showed that choice is the most influencing variable among the independent variables to the consumer satisfaction. Telkomsel has been known by people in Indonesia, especially people in Manado, as one telecommunication network vendor with the wide-spread network and also iPhone has been recognized by people in this city for its exceptional cellular phone products. Most of the respondents will choose this bundling product because of the brand and quality from both companies and the respondents agreed that even the price is in the middle-high level but the quality of the products completely satisfactory. Multiple regression analysis shows that in a condition where all independent variables are constant (zero). The value of R is indicating a substantial positive association between independent and dependent variable. The value of R² means that product assortment and choice as independent variables have moderate positive association and influence consumer satisfaction

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

There are three constructive findings that can be concluded from the overall result in this research, which are listed as follow:

1. Product assortment and choice influence consumer satisfaction simultaneously and significantly.
2. Assortment influence consumer satisfaction partially and significantly.
3. Choice influence consumer satisfaction partially and significantly.

Recommendations

The results of the analysis explain two of the independent variables include in this research that are product assortment and choice have a significant effect to the consumer satisfaction of bundling iPhone with Telkomsel in Manado. From two of these variables, choice is the strongest effect of bundling iPhone with Telkomsel in Manado. For the management parties from iPhone and telkomsel in Manado it is recommended to keep collaborating, because the consumers has satisfied with the iPhone and Telkomsel bundling, and try to expand this bundling strategy to the another kind of products. Avoid to failure of the production because currently the brand of iPhone and Telkomsel is a well know branded in Manado, and once the brand fall, the consumer will feel dissatisfied and it is hard to get back the consumer trust.

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